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TEXTILES: U.S. TRADE AGREEMENTS, IMPORTS, AND CONSUMPTION

Christine J. Hager

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U.S. consumption of textiles and apparel increased substantially between 1961 and 1977, with much of the increase captured by imports. The increase in imports and adjustments in production caused the U.S. balance of trade to shift from a small surplus to a $2.8 billion deficit despite trade agreements to limit imports. Part of the surge in imports relative to domestic production is due to Government regulations that increased costs of production for the U.S. textile and apparel industries. Americans have also shifted their purchasing patterns toward more manmade fibers and casual wear. Working women have increased the demand for clothing suitable for their jobs.

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SUMMARY

Despite textile trade agreements limiting imports of textile manufactured products, the U.S. balance of trade deficit for textiles was $2.8 billion in 1977, $1.3 billion of which was in manmade fiber textiles, $800 million in cotton textiles, and $700 million in wool textiles. This deficit contrasted substantially with a surplus of $54 million in 1961. In addition, imports as a percentage of apparent consumption (production plus imports minus exports) rose from 5.2 percent in 1961 to 10.3 percent in 1977.

Some categories of textiles--cotton fabric and apparel constructed from manmade fibers such as sweaters, knit shirts, and slacks--were most affected by increases in imports and changes in consumer purchasing patterns. Increases in the numbers of adolescents and working women plus more activities outside the home brought greater interest in manmade fibers, casual clothing, and attire suitable for different uses. Imports compete with domestic products in these categories more vigorously than in others.

In addition, concerns about adverse effects of U.S. Government regulations on the domestic textile industry are intensifying interest in import quotas. Current discussions between the United States and exporting nations consider the rate at which imports in certain categories are allowed to grow.

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Textiles: U.S. Trade Agreements, Imports, and Consumption

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INTRODUCTION

Textiles are traded in an environment of national and international regulations and trade agreements. Wage rates, Government regulations, and taxes make it difficult for domestic producers to compete with companies in some other countries in certain categories of textile and apparel products. Exchange rates and crude oil prices also differ among countries and affect trade. Bilateral trade agreements with other countries help to control and facilitate competition while preventing undue injury to the domestic industry and its workers due to excessive imports.

This report presents a brief overview of U.S. textile supply with a special focus on imports; summarizes the textile trade agreements and regulations, with emphasis on their functions; examines in detail the role of imports in U.S. textile supplies; and summarizes the industry and consumer perspectives on textile trade and imports and delineates some implications for the industry.

U.S. mill consumption of fibers and imports of fiber manufactures increased substantially between 1961 and 1977. While total domestic consumption of fibers increased, consumption of manmade fibers rose and consumption of cotton and wool decreased. The increase in total domestic consumption was shared by domestic and foreign producers, but imports of textiles and apparel increased their share of domestic consumption in most categories.

Cotton textile imports before 1960 were controlled by voluntary quotas. Additional cotton agreements were made between 1960 and 1970. Beginning in 1971, bilateral agreements limited wool and manmade fiber imports. The Multifiber Arrangement, negotiated first in 1974, established international rules governing quantitative restrictions on imports of textile products. Thereafter, bilateral agreements set actual limits and the rates at which imports were allowed to increase over time.

The major justification for trade agreements is that the domestic textile and apparel industry needs protection from disruption of markets by foreign producers who have lower wage costs, fewer regulations, and more government support. Two groups of people most affected by import policies are textile and apparel workers and consumers of textiles and apparel. An increase in imports means that U.S. textile manufacturers must compete with many low-priced imports, often from countries with lower wages and fewer regulations. Workers fear loss of their jobs and industry resistance to pay increases. On the other hand, consumers enjoy the availability and price appeal of imports and resist losing the options that imports offer.

U.S. TEXTILE PRODUCTION, CONSUMPTION, AND IMPORTS

World production of fibers, yarns, apparel and other textiles increased during the sixties and seventies. Most items produced in the United States were consumed domestically. However, the growth in apparent domestic consumption (mill consumption plus imports minus exports) was shared by both domestic and foreign producers. Imports of some items exceeded 30 percent of the U.S. market even though total imports were usually less than 10 percent of apparent domestic consumption (tables 1 and 2). U.S. exports averaged 4 to 7 percent of mill consumption.

The United States consumed 12.5 billion pounds of fiber in 1977, over 10 percent of which came from foreign mills. Manmade fibers used in textiles made the greatest gains in total domestic consumption, from 1.8 billion pounds in 1960 to nearly 9.1 billion pounds in 1977, while cotton and wool consumption dropped (table 1).

Most imported textiles in 1976 were in apparel, most of which were made from manmade fibers. About 27 percent of textile imports were of fabric, mainly cotton fabric. Wool was usually imported in the form of apparel (13). 1/

The increase in imports has contributed to a negative trade balance in textiles for the United States, primarily because of trade with the Far East. The U.S. balance of trade declined from a $54 million surplus in 1961 to a $2.8 billion deficit in 1977 (table 2).

Total imports of textiles and apparel increased from 5.2 percent of domestic production in 1961 to 10.3 percent in 1977 (table 1). Imports in some categories, such as cotton duck fabric, shirts and blouses, sweaters, women's and girls' slacks, and cotton and wool rugs, exceeded 39 percent of domestic production in 1977 (table 3).

TRADE AGREEMENTS AFFECTING TEXTILE IMPORTS

Concern about competition from foreign mills and textile manufacturers led to the early agreements. Agreements on trade in textiles focused on tariff rates and quantitative restrictions beginning in the 1930's (table 4). Early textile agreements restricted only cotton textile imports. Increased import competition from manmade fibers and blends led to pressure for further restrictions. Continued expansion by foreign producers in the U.S. market, coupled with increases in U.S. costs of production, provoked more discussion about how best to limit imports and in what categories imports were threatening the U.S. industry. Negotiations concerning changes in tariffs and quotas continue, though progress toward bilateral and multilateral agreements with many countries has been made. The specific agreements with each country and territory differ and are further described in (14) and in the individual bilateral agreements.

Early Agreements

Trade acts passed in the thirties imposed tariffs on a large number of imports of manufactured products including cotton textiles. Resulting discrimination in world trade led exporting and importing nations to meet in Geneva in 1947 and to establish the General Agreement on Tariffs and Trade (GATT). GATT attempts to encourage orderly, nondiscriminatory trade and to reduce tariffs and other trade barriers unilaterally across all commodities. The intent is also to allow for protection of domestic workers from serious import injury.

1/ Underscored numbers in parentheses refer to sources listed in the bibliography.

Table 1--U.S. mill consumption, exports, imports, and imports as a percentage of apparent consumption, by type of fiber 1/

Year	Mill consumption				Exports				Imports				Percentage of imports to apparent consumption			
	Cotton	Wool	Manmade fiber	Total	Cotton	Wool	Manmade fiber	Total	Cotton	Wool	Manmade fiber	Total	Cotton	Wool	Manmade fiber	Total
	Million pounds												Percent			
1961	4,082	412	2,055	6,549	239	5	86	330	189	127	23	340	4.7	23.7	1.2	5.2
1962	4,188	429	2,413	7,030	220	4	90	315	310	146	31	486	7.2	25.6	1.3	6.7
1963	4,040	412	2,775	7,227	208	6	97	310	304	153	36	493	7.4	27.4	1.3	6.7
1964	4,244	357	3,162	7,763	213	7	108	329	300	141	50	491	6.9	28.7	1.6	6.2
1965	4,522	387	3,614	8,523	174	13	129	315	361	157	79	596	7.7	29.6	2.2	6.8
1966	4,677	370	3,990	9,037	190	10	140	340	510	144	123	778	10.2	28.6	3.1	8.2
1967	4,470	312	4,245	9,027	188	9	133	330	443	123	139	706	9.4	28.8	3.3	7.5
1968	4,188	330	5,306	9,824	188	9	129	327	474	146	193	813	10.6	31.3	3.6	7.9
1969	3,972	313	5,552	9,837	232	9	146	387	488	130	257	875	11.5	30.0	4.5	8.5
1970	3,834	240	5,501	9,595	199	7	147	354	463	117	329	909	11.2	33.5	5.8	9.0
1971	3,986	192	6,530	10,708	226	12	147	385	493	90	451	1,034	11.6	33.5	6.6	9.1
1972	3,864	219	7,566	11,649	290	33	178	501	611	95	480	1,187	14.6	33.8	6.1	9.6
1973	3,658	151	8,665	12,474	325	33	288	647	564	90	465	1,119	14.8	43.3	5.3	8.6
1974	3,309	94	7,699	11,102	392	26	391	809	503	74	371	948	14.7	52.1	4.8	8.4
1975	3,027	110	7,416	10,553	354	21	322	697	501	68	400	970	15.8	43.3	5.3	9.0
1976	3,414	122	8,081	11,617	413	15	352	780	709	99	479	1,287	19.1	48.3	5.8	10.6
1977	3,183	108	8,632	11,923	370	13	368	751	669	117	531	1,317	19.2	55.2	5.9	10.3

1/ Figures may not add to the totals because of rounding. Apparent consumption equals mill consumption plus imports minus exports.

Source: (7).

Table 2--U.S. imports, exports, and trade balance, major fiber textile manufactures

Year	Imports				Exports				Trade balance			
	Manmade fiber	Cotton	Wool	Total	Manmade fiber	Cotton	Wool	Total	Manmade fiber	Cotton	Wool	Total
	Million dollars											
1961	60	199	200	459	231	272	9	513	172	74	-192	54
1962	78	307	272	657	283	263	9	554	205	-44	-264	-103
1963	90	299	297	686	289	188	9	486	200	-112	-288	-200
1964	129	310	289	728	358	207	11	575	229	-104	-278	-153
1965	193	369	357	919	295	213	15	523	102	-156	-341	-396
1966	258	563	354	1,075	301	234	15	550	43	-299	-338	-524
1967	312	417	327	1,056	291	230	17	538	-21	-187	-311	-518
1968	499	477	410	1,385	314	229	14	557	-185	-248	-396	-828
1969	695	527	410	1,632	347	287	14	648	-348	-240	-396	-983
1970	1,053	537	359	1,949	377	267	13	657	-676	-270	-346	-1,293
1971	1,551	590	291	2,433	370	304	12	686	-1,181	-286	-280	-1,747
1972	1,730	801	314	2,845	431	408	14	853	-1,299	-393	-299	-1,992
1973	1,848	887	368	3,103	737	510	27	1,274	-1,111	-377	-341	-1,829
1974	1,776	1,034	356	3,167	1,085	744	31	1,859	-692	-290	-326	-1,308
1975	1,773	1,000	340	3,114	947	704	28	1,679	-826	-296	-312	-1,435
1976	2,362	1,569	500	4,431	1,096	927	34	2,058	-1,266	-642	-466	-2,373
1977	2,486	1,747	697	4,923	1,174	916	40	2,129	-1,302	-822	-658	-2,794

Source: (12).

Table 3--Imports as a percentage of domestic production for selected categories, textiles and apparel

Item	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
	Percent										
Yarn:											
Cotton	4.2	5.7	3.2	2.7	3.3	4.1	2.9	1.8	1.8	3.6	1.9
Wool	5.6	6.1	5.2	5.9	5.5	3.1	2.8	5.5	3.6	5.0	7.4
Manmade, textured	1.1	3.8	2.0	10.7	17.7	11.8	7.3	3.2	2.3	2.2	3.1
Manmade, spun nonce llulosic	.6	1.0	1.7	2.3	1.8	1.5	1.6	.8	.6	.9	2.1
Broadwoven fabric	5.1	5.3	5.9	6.1	6.5	7.6	7.3	7.0	6.3	8.5	6.6
Cotton	6.0	6.4	7.9	7.8	8.8	12.2	13.4	13.3	11.2	16.8	12.0
Cotton duck	26.9	18.2	23.9	27.8	33.3	54.3	43.9	45.4	30.8	61.0	52.1
Cotton corduroy	3.2	4.0	5.0	5.1	4.7	8.1	9.1	7.0	5.1	.6	.2
Wool	16.7	21.6	21.0	20.5	15.3	11.7	13.2	10.7	10.1	12.4	15.4
Manmade	2.9	2.9	3.1	3.5	3.8	3.4	2.7	2.8	3.0	3.3	3.4
Knit fabric	.9	.8	1.0	2.1	5.1	2.8	1.6	.7	.6	.6	.5
Cotton	.1	.1	--	--	.1	.1	.1	.1	.2	.2	.1
Wool	14.0	11.7	10.6	22.6	23.8	17.5	3.9	2.2	4.0	4.3	3.5
Manmade	.9	.9	1.2	2.7	6.7	3.4	1.8	.7	.7	.6	.6
Sweaters	32.9	52.1	72.2	71.0	88.7	77.3	74.8	79.0	90.7	108.1	97.8
Men's, boys'	15.4	29.8	40.2	39.2	34.9	35.8	42.1	37.0	44.1	61.5	69.3
Women's, girls'	41.1	65.1	90.9	89.6	123.2	101.2	95.1	107.4	113.3	130.8	108.7
Wool	59.5	73.5	62.3	74.1	103.5	110.5	156.7	139.7	191.0	390.2	418.9
Manmade	37.8	66.1	100.7	95.3	130.3	103.3	96.0	108.2	109.3	117.8	93.3
Shirts, blouses, woven	20.6	25.1	33.3	39.4	42.7	33.8	29.4	31.4	36.1	48.1	47.8
Shirts, blouses, knit	20.4	18.5	27.8	32.1	42.2	41.3	40.6	41.3	47.9	46.9	39.5
Men's, boys'	15.6	15.5	20.0	18.8	21.0	23.9	24.7	15.6	19.0	18.1	16.3
Women's, girls'	26.0	22.4	37.0	47.5	67.0	62.5	60.1	75.3	81.3	82.8	70.2
Suits	.9	1.6	2.9	4.2	5.2	6.1	6.6	11.8	12.7	13.0	11.9
Slacks	10.0	12.7	16.0	17.2	21.8	22.6	21.6	17.1	21.5	23.9	24.8
Women's, girls'	17.9	22.7	32.3	35.5	49.4	43.2	41.1	31.2	33.8	37.7	40.5
Rugs, carpets	2.6	3.3	3.1	2.5	2.1	1.8	1.4	1.1	1.1	1.3	1.1
Cotton	3.8	11.0	20.9	15.8	17.5	28.0	31.3	58.7	40.1	58.9	81.7
Wool	9.4	6.4	6.1	5.9	7.1	10.2	19.8	34.6	43.7	63.4	67.5
Manmade	2.1	2.8	2.6	2.0	1.6	1.1	.7	.5	.5	.6	.5

-- = Not available.

Source: (13).

Not until the fifties, however, did foreign countries agree to limit textile exports to the United States. 2/ The first country, Japan, voluntarily agreed to limit exports to the United States in 1957. Exports from Japan did decline after that, but imports from other countries, including Korea, Taiwan, and Hong Kong, increased.

The Short Term Cotton Agreement (STA), negotiated in 1961 under the auspices of GATT, provided international rules to control the level of textile imports in cases of market disruption. The STA was replaced by the Long Term Agreement (LTA) in 1962 that was in effect until 1973.

Long Term Agreements

A number of bilateral agreements were negotiated under the LTA between the United States and textile-exporting countries that restrained cotton textile imports. In 1971, some bilateral agreements also limited exports of wool and manmade fiber textiles. Bilateral and voluntary limitations on imports of wool and manmade fiber textiles were considered necessary because of the sharp increases in manmade fiber textiles between 1960 and 1970. Pressure by domestic wool textile producers existed to limit wool imports even though wool consumption had declined. Manmade fibers such as nylon, polyester, and acrylic became popular during the sixties and seventies. At the same time, restraints on cotton textile imports encouraged exporting countries to shift to products that were not restrained (14, p. vi). That shift prompted the United States to limit unilaterally imports of wool and manmade fiber textiles when renewal of the LTA was negotiated.

Multifiber Arrangement

The Arrangement Regarding International Trade in Textiles, known as the Multifiber Arrangement (MFA), was signed by about 50 countries in 1974. Its basic objectives are:

> ...to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production on both importing and exporting countries. In the case of those countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production, account should be taken of the avoidance of damage to those countries' minimum viable production of textiles (14, p. 12).

MFA also aims "to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide scope for a greater share for them in world trade in these products" (14, p. 12).

2/ A more detailed discussion of textile trade acts and particularly the Multifiber Arrangement is contained in (14), portions of which were extracted and summarized in this discussion.

Table 4--Major textile trade agreements

Title and year negotiated	Subject
Hawley-Smoot Act, 1930	Tariffs on cotton textile imports
Reciprocal Trade Agreement Act, 1934	Allow for reduction of tariffs on cotton textile imports
Bilateral agreements, after 1934	Reduce tariffs on cotton textile imports
General Agreement on Tariffs and Trade, 1947	Reduce tariffs multilaterally
Voluntary agreement with Japan, 1957	Restrict cotton textile imports from Japan
Short Term Cotton Agreement, 1961	Control cotton textile imports
Long Term Agreement, 1962	Control cotton textile imports
Bilateral agreements, after 1962	Control textile imports of cotton, wool, and manmade fibers
Multifiber Arrangement, 1974	Extend tariff and quantity agreements to textile imports of wool and manmade and cotton fibers

MFA defines textiles as:

> ...tops, yarns, piece-goods, made-up articles, garments, and other textile manufactured products (being products which derive their chief characteristics from their textile components) of cotton, wool, manmade fibers, or blends thereof, in which any or all of those fibers in combination represent either the chief value of the fibers or 50 percent or more by weight (or 17 percent or more by weight of wool) of the product. Artificial and synthetic staple fiber, tow, waste, simple mono- and multi-filaments, are not covered (14, p. 16).

This definition excludes raw fibers, lint, unspun threads, and other unfinished fiber materials. MFA also excludes from its provisions exports of hand-loomed fabrics or folklore handcrafted textile products from developing countries, provided such products are properly certified; Mexican, Guatemalan, Philippine, and Indian hand-embroidered items often fall into this category.

Guidelines for determining market disruption include considering the interests of the exporting country as well as the ability of the importing country to compete. The first factor used in establishing market disruption is the existence of a "measurable sharp and substantial increase or imminent increase of particular products from particular products from particular sources" (14, p. vii). The second consideration is whether the products are being offered at prices substantially below those prevailing in the market of the importing country. This practice is called dumping--selling products in an importing country at prices lower than in the exporting country just to cover costs and unload overstocks.

Bilateral Agreements

Bilateral agreements limiting imports from one country to the other must conform to MFA principles. The United States currently has 18 agreements limiting textiles and 10 agreements to discuss possible limitations should problems arise (14, p. vii). Such bilateral agreements specify import limits on 64 categories of textile products. Ceilings on imports are set for aggregate quantities, groups of items, and often subcategories under the MFA. Limits are given in square yard equivalents although some items are also limited by units (dozens or pounds). Spacing of exports and seasonal patterns are considered. Monthly data are maintained through constant communications with trading nations. The agreements allow some flexibility, permitting as much as 11 percent excess over the limit under specific conditions. Quotas may be allowed to be carried forward or carried back if imports are lower than quotas in the preceding or succeeding years.

Bilateral agreements also allow import quotas to increase at certain rates for certain categories of items. Recent negotiations of bilaterals have taken current and projected levels of import penetration in specific categories into consideration. For example, imports of cotton duck fabric represent 30 percent of domestic production of cotton duck (table 3). The bilateral agreement approved in August 1977 with Hong Kong, the largest supplier of cotton duck, allows no annual increases on quotas on cotton duck. Similarly, this agreement with Hong Kong allows only a 3-percent annual increase for woven cotton shirts and a 4-percent annual increase in women's, girls', and infants' woven cotton trousers. Those limitations were stipulated because of the magnitude of imports for those items: 1975 imports amounted to 68.2 percent of domestic production of woven cotton shirts and 41.7 percent of domestic production of woven cotton trousers (14, pp. 33-35). On the other hand, larger imports of other items are allowed.

Administration of U.S. Trade Agreements

Interagency committees were established to administer the textile program in the United States. The Cabinet Textile Trade Policy Group is composed of undersecretaries of the Departments of Commerce, State, Labor, Treasury, and Agriculture with the President's Special Trade Representative as chairman. The Committee on Implementation of Trade Agreements (CITA) consists of representatives from the same departments, excluding Agriculture.

One of the major functions of both committees is to classify imports in connection with the administration of U.S. policy. Items are classified by fiber content, type of article (such as sport shirt, dress shirt, yarn), value, and fabric form (knit or woven) (11). Classification of imported items into categories is done by the U.S. Customs Office with advice from the Department of Commerce. There is also a special category of items exempt from tariffs.

Apparel categories are defined by chief value of fiber, type of article, age groups, and sex of wearer. 3/ Apparel is further defined by the degree of processing. Tariff rates vary chiefly in the amount of processing added to the fiber. Finer, lighter, more heavily processed goods generally carry higher duties. This system was developed to protect the U.S. textile and apparel industry and was based on the amount of manufacturing and the item involved. Typically, tariff rates on yarns and fabrics are lower than those on apparel. Apparel tariff rates also differ by fiber, fabric construction, ornamentation, and specific type of article (that is, trousers or shorts, leisure suits, other suits).

Problems arise when fibers are combined. For example, some products have trimming, braid, or other accessories made of different fibers than the rest of the product. A wool or wool/manmade sweater with cotton braid and embroidery would not be easily classified. Quotas are charged on the yarns and on finished items. Cotton yarns used in the braid or embroidery are often included in the yarn quota. Many issues regarding classifications of articles are determined by comparisons of value and decisions at the time of entry.

Blends pose the problem of classifying by fiber. Articles are currently defined by the fiber whose chief value is highest. That is, if the price of cotton in the exporting country is higher than the price of manmade fiber in that country, the value of cotton may be greater than the value of the manmade fiber and the item will be classified as cotton even though cotton represents a smaller percentage of the weight of the item. The classification can thus change with fiber price fluctuations even though the fiber composition remains the same. The International Trade Commission states:

> The textile industry could formerly be separated into rather distinct segments according to the fiber components of its various products in recent years. However, it has become clear that former distinctions as to fiber components are less meaningful (14, p. 19).

Bills have been introduced in various sessions of Congress to change the classification to a weight rather than a value system. Items would be classified by the fiber representing most of the weight of the article. This system would simplify procedures for customs. On the other hand, if tariff schedules were changed to weight measures, the shift would require textile tariffs to be on a specific rather than an *ad valorem* basis (value added at each stage of processing). Tariff rates would be set up mainly by fiber content, but processing differentials would still pertain to categories of items (yarn, dresses, shirts), although the categories would need to be reorganized somewhat. However, there is support for the changes to rates by weight in the International Trade Commission (12, p. 23). Rules were formally proposed by the Commission in 1977 (3), but it is questionable whether any of these proposals will be approved because of the difficulties in changing agreements to a weight system.

One example of the complicated nature of the categories is shirts. There is a separate category number for each of the following; cotton knit for men and boys (MB); cotton knit for women, girls, and infants (WGI); cotton not knit for MB and cotton not knit for WGI; wool knit, wool not knit, manmade fiber knit for MB; manmade fiber knit for WGI; and manmade fiber not knit. Categories are further specified for ornamentation; type of item, where appropriate, for example, T-shirt, dress shirt, work shirt, or sports shirt; type of fabric (corduroy, poplin, denim); and value (13).

Other controversies arise concerning trade practices of foreign exporters and domestic importers. Exporting producers may switch categories under which goods are

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3/ Chief value refers to the fiber whose dollar value in the country of origin represents the highest percentage of the price of the article.

classified to reduce tariff costs or conform with quotas. They can allocate resources to specific classifications having little or no restrictions and saturate the market. Carryback and carryforward provisions allow more items into the country in any one year or category than strict adherence to the quotas would suggest. These provisions cover special instances such as dock strikes and transportation problems.

Accusations of dumping and other illegal practices also arise. The Multifiber Arrangement (MFA) and bilateral agreements restrict dumping. The agreements also forbid the practice of shipping products through other countries that have not exceeded their quotas and changing the label of the country of origin. However, charges of dumping and other questionable practices are difficult to substantiate.

Other measures besides quotas and tariffs are used to protect the domestic textile industry without increasing tariff rates. Nontariff barriers such as health and safety standards, marketing regulations, import evaluations, classifications, customs and entry procedures, such as import calendars, add to the cost of imports. Foreign producers may also be reluctant to export goods in compliance with certain flammability and labeling requirements.

Sometimes exporting countries have an advantage over U.S. firms because wage rates and other costs of production are lower than in the United States. Strict dust control requirements, which are costly for domestic cotton mills to meet, give an advantage to foreign producers without such health and safety regulations. In addition, foreign governments give special tax treatments, subsidies, and special exchange rates to promote their exports. U.S. producers often respond by seeking additional protection against imports.

GOVERNMENT REGULATIONS AFFECTING U.S. TEXTILE SUPPLIES

U.S. Government regulations affecting the textile industry continue to increase. Regulations adopted since 1965 have covered minimum wages, product safety, air, noise, and water pollution, dust abatement, and occupational safety. The equipment and resources required to meet these regulations have diverted resources from increasing production and have affected the ability of U.S. textile firms to compete with foreign firms not subject to such regulations.

Minimum wage rates have increased the costs of production, particularly in labor-intensive operations such as cutting, assembling, and finishing. In response to relatively high U.S. labor costs compared to Far East and developing countries such as Japan, Korea, and the Philippines, many large U.S. firms have moved offshore, contracted with producers overseas, or ceased production in the United States. Most of the U.S. imports come from the Far East and other developing countries. Wage rates even in Japan are half what they are in the United States (10).

Some firms have adapted processes, equipment, and products developed in the United States to production conditions in foreign countries. Foreign producers and U.S. companies operating in other countries have considerable access to the large, well-developed U.S. retail market, while the market for U.S. exporters is more diffuse. Styles, sizes, and other specifications such as color, texture, and closeness of weave, differ among many smaller countries.

Other U.S. regulations also pose problems for U.S. producers that producers in other countries do not face. Water pollution requirements affect the costs of producing and dyeing fibers, cleaning fibers, and removing waste. Health and safety regulations require specific equipment and modifications to reduce the likelihood of

accidents. They also limit the dust and noise levels for workers in textile mills and spinning, weaving, and knitting activities. To meet the regulations, the industry must develop new technologies.

Yet, capital investment funds are limited because profits and rates of return on investment are low in the textile industry compared with all manufacturing corporations and other nondurable industries, such as the food and chemical (nondrug) industries. In 1976, the relation of profits after taxes to stockholders' equity and sales for all manufacturing corporations was 14 percent and for all nondurable industries, including food and chemical industries, it was over 14 percent (10). The rate for textile mill producers was 8 percent. In the food and chemical industries, the relation has been above 8 percent throughout the seventies, but in the textile industry it has fluctuated between 4.2 and 8 percent.

Capital available for increasing productivity is also restricted when regulations divert resources and create a climate of uncertainty regarding the future competitiveness of U.S. products. In this regard, the textile industry may be less directly affected than other manufacturing sectors, but the industry may have less flexibility due to lack of capital.

The U.S. textile and apparel industries are concerned about the threat of imports. The major concern of the American Textile Manufacturers Institute (ATMI) is that the 6-percent quota growth factor is excessive given that "consumption of textile products in the United States has averaged less than 3 percent growth per year over the last decade" (4). Textile manufacturers have also stated that variable growth rates and maximum levels of import quotas should be established in the bilateral agreements. The industry has lobbied for more limited year-to-year growth in quotas, agreements with textile exporting, non-GATT countries, principally China, to limit imports, and exemption of textile and apparel tariffs from MFA negotiations thereby preventing tariff reductions (14, p. 2).

The International Ladies' Garment Workers' Union (ILGWU) also argues for protection. The union seeks a lower rate of growth in quotas and more protection against import increases in some categories (5). The ILGWU asserts that the annual allowed growth rate of 6 percent per year for imports exceeds the rate of growth of domestic production. Import penetration, measured by comparing quantities of imports with domestic production, exceeded 6 percent in most categories of apparel, particularly in coats, blouses, sweaters, knit sport shirts, and slacks. Many of the current bilateral agreements allow exporters to exceed the levels. No limits are imposed on the imports from some countries either because their level of exports to the United States poses no threat, or because they have no agreement with the United States, as is the case for China.

Both labor union and industry representatives question whether domestic companies are under more severe constraints than foreign companies because of regulations and lack of Government supports such as export subsidies. Competition, particularly within the apparel industry, is keen because of ease of entry, large numbers of small companies, low equipment costs, and availability of markets.

Although consumers may benefit from unrestricted trade through lower prices and greater selection, developments on the supply side may offset these benefits. Domestic producers may be unwilling or unable to supply products at prices competitive with imports. Minimum wage rates, investors' expected returns, and Government health, safety, and environmental regulations increase costs which, if not offset by increased productivity, lead to higher prices. Domestic producers may be required to compete

with foreign companies not under similar constraints or under greater protection by their Governments from export competition. Without the protection of trade agreements, domestic companies may leave the market.

In theory, remaining suppliers would produce goods more efficiently than those that leave the market. However, consumers may avoid paying for the regulations imposed on the domestic industry by buying imports. As a result, more textile and apparel firms may move offshore and consumers may become increasingly dependent on foreign production. Domestic unemployment could increase and the foreign exchange value of the dollar could fall further. The problem of unemployment is especially acute in the textile industry because textile workers, mainly women, minorities, and men lacking in skills and education, have limited mobility and incomes. The social costs incurred by displacing workers will be partially borne by consumers in the forms of retraining costs, food stamps, welfare, and medical costs.

Although U.S. consumers enjoy the benefits from the availability of imports and from results of regulations, imports and domestic regulations do increase the present and future costs to consumers. In addition, foreign consumers may be willing to live with lower standards for air, noise, dust, and water pollution than the U.S. residents in order to have jobs. U.S. workers do benefit from increased protection for their health and safety while demanding increased protection from foreign competition. The issue becomes a complex social, economic, and political problem with ramifications for U.S. and foreign consumers, workers, policymakers, and individual firms.

NONTARIFF FACTORS AFFECTING TEXTILE CONSUMPTION

Consumer choice is also an important factor affecting textile trade and consumption. In fact, one of the major justifications for allowing increases in textile imports is the ability of foreign firms to satisfy consumer wants at competitive prices. Households consume most textiles produced and imported as apparel and household furnishings. In addition, consumers use fiber in automobile upholstery, tires, and indirectly through industrial goods such as insulation and filters.

Imports of textiles and apparel replace, complement, and supplement domestic products, adding to consumers' choices. Some foreign producers are able to supply the U.S. market with certain articles, styles, colors, and sizes not produced here. Also, many goods produced domestically are easily duplicated in low-wage countries for export to the United States. Import penetration (the ratio of imports to domestic production) has been most severe for cotton duck, sweaters, shirts, blouses, suits, women's coats, and women's slacks (table 3).

Much of the growth in fiber consumption has been for casual, durable, and machine washable clothing. Denims and corduroys, traditionally all cotton, and cotton-polyester blends, have been popular for many items of apparel. Textile manufacturers have developed blended denims and corduroys in response to high and variable cotton prices, low prices for manmade fibers, demand for durable press items, and promotion of manmade fibers. Blends have also appeared in bed sheeting, twills, shirts, blouses, and dresses. Finishes and other production techniques enable manmade fibers to be used in combination with cotton even in towels, despite the poor moisture absorbency of manmade fibers.

Foreign producers have kept up with changing developments. They also have taken advantage of the high wage costs of finishing goods in the United States to compete on the basis of price. Even U.S. firms often export cut fabric for sewing and finishing in other countries. The finished goods are then returned to the United

States. Imported blouses, shirts, pants, and sweaters, knit or woven from cotton or polyester/cotton blends, are produced in sizes, styles, and colors that cater to the U.S. consumer.

The level of competition from foreign producers varies from one class of goods to another. Relative prices of cotton, wool, and manmade fibers affect mill decisions about fiber composition of fabrics and finished goods. The United States is a major producer of noncellulosic manmade fibers such as polyester and nylon, and of short- and medium-staple cotton. Until recent concerns about the availability of petrochemicals for such uses as noncellulosic fiber production, the prices of noncellulosic fibers were more stable and lower than cotton prices. Wool was available in very limited and decreasing quantities and at high prices relative to cotton and manmade fibers. Use of manmade fiber was very attractive to fabric producers (table 5).

The world market price of cotton increased from an average of 30 cents per pound in 1967 to an average of 60 cents per pound in 1975 and 72 cents per pound in 1977. In addition to the rapid increase in actual prices, cotton prices fluctuated considerably during the year and between years because of changes in actual and expected yields and the quality of the fiber. Prices and qualities of manmade fibers, on the other hand, were more easily controlled by the fiber producers. Advances in machinery and equipment technology allowed prices of manmade fibers to decline relative to cotton prices. Polyester prices decreased from 62 cents per pound in 1967 to 35 cents per pound in 1972, then rose to 54 cents per pound in 1977 (9, 7).

Table 5--Fiber prices of cotton, wool, and polyester

Year	Cotton 1/	Wool 2/	Polyester 3/
	Cents per pound		
1967	30	40	62
1968	33	41	56
1969	29	42	45
1970	30	36	41
1971	34	20	37
1972	37	35	35
1973	65	83	37
1974	67	59	46
1975	60	45	48
1976	80	65	53
1977	72	72	54

1/ U.S. strict middling 1-1/16 inch, c.i.f. (cost, insurance, and freight), Northern Europe, calendar year average.
2/ U.S. farm price for shorn wool, grease basis, calendar year average.
3/ Reported average market price for polyester staple for cotton blending, calendar year average.

Source: (7).

An example of the delicate relationship among prices, technology, fashion, and consumer choice is revealed by the differences in import penetration for yarns (table 3). Import penetration for cotton and wool yarns fluctuated considerably between 1967 and 1977. The import penetration for both textured manmade fiber yarns and spun yarns from 1967 to 1977 was very low. The ratio of imported textured manmade yarns to domestic production of these yarns rose dramatically in 1970, 1971, and 1972. Foreign companies exported to the United States large quantities of textured yarn for woven goods during this 3-year period to meet demands of fashion designers for fabrics and yarns to replace doubleknits. U.S. firms quickly recovered and increased production of textured yarn. At the same time, changes in production and imports of spun, noncellulosic yarns were more parallel (13).

U.S. mills have better access to lower grades of cotton used in the production of denims and corduroys, so U.S. producers are able to maintain a dominant market position for products made from these fabrics. U.S. manufacturers have so far maintained an export market and a dominant position domestically because of their leadership in design and the quality of their fabrics and apparel. Imports in the past have been competitive with U.S. goods in many low-priced end products, but foreign exporters are now increasing their attention on the more expensive range of the U.S. ready-to-wear market.

Fashion changes in favor of casual wear have affected some items, such as dresses and suits, more than other items, such as shirts and underwear. Movements back to dresses, skirts, and suits could increase the demand for fabric and apparel (15). Growing interest in natural fabrics would also affect demand. Emphasis on more formal attire could attract imports to those categories.

The availability of apparel in a wide range of prices, partly because of competition from imports, allows consumers to maintain and diversify their wardrobes without necessarily increasing the portion of their budgets allocated to clothing. While consumer prices for clothing increased 51.9 percent from 1965 to 1975 and aggregate consumer expenditures on clothing rose 95.4 percent (in 1972 dollars), the percentage of per capita expenditures for personal consumption represented by clothing was fairly constant at 7.8 to 8 percent (10). This finding was consistent with studies that indicated that the longrun elasticity of apparel expenditures with respect to income is close to 1. That is, a 1-percent increase in income is matched with a 1-percent increase in expenditures for apparel (2, 8, p. 15).

Elasticity of expenditures with respect to price has not been satisfactorily calculated. Retail price and quantity data are inadequate for making statistical inferences. Predicting imports and explaining variations are even more difficult because of the inadequacy and unreliability of data.

The problem of price and quantity data is more acute with clothing and textiles than with commodities such as food because clothing is consumed gradually over a period of time. Used clothing, alterations, and home production provide consumers with low-cost alternatives to domestically produced items and to imports. Yet, data on these supplementary sources of textiles as well as on current inventories are not available. Consumers may well be able to postpone replacements of some items for a long time by relying on existing stocks or to replace clothing items from supplementary sources. What effect these adjustments have on fiber consumption from domestic and foreign producers is not clear.

Another set of factors that affects both the quantity and types of textiles purchased is the composition of the population. The number of people 65 and older increased by 23 percent between 1965 and 1975, and the number of people 35 to 54 remained relatively constant. The age group, 20 to 34 years, whose demands for clothing

and textiles for themselves, their homes, and their families are greatest, increased by 35 percent (table 6). This large group, traceable to the post-World War II baby boom, has made an impact on many industries, from infant wear through education, automobiles, and now housing, clothing and textiles, and other consumer goods.

Other changes have also been occurring within the population that affect the demand for textile products. Traditionally, the family was headed by a male wage earner, but now the proportions of families headed by a female and families with the wife in the labor force are increasing (table 7). Working women, both single and married, have increased in numbers in the seventies. The female labor force increased from 26 million to 36.5 million between 1965 and 1976, a 40.4-percent increase compared to an 11.8 percent increase for men (10). Work provides additional income and increases demands for suitable apparel.

Clothing needs also relate to activities other than work and to climate. When energy conservation measures lower thermostats, clothing supplements fuel. This implies a heavier demand for some items, such as sweaters and wool clothing, where imports are strong.

Table 6--Age structure of the population

Age bracket	Population		Distribution		Population change	
	1965	1975	1965	1975	1965 to 1975	1965 to 1975
	--Millions--		--Percent--		1,000	Percent
All ages	194.6	211.4	100.0	100.0	16.8	8.6
Under 5 years	20.4	15.9	10.5	7.5	-4.5	-22.1
5 to 9 years	20.5	17.3	10.5	8.2	-3.2	-15.6
10 to 19 years	36.1	41.0	18.6	19.4	4.9	13.6
20 to 34 years	36.1	48.7	18.6	23.0	12.6	34.9
35 to 54 years	46.5	46.3	23.9	21.9	- .2	-.4
55 to 64 years	17.0	19.7	8.7	9.3	2.7	15.9
65 and over	18.2	22.4	9.4	10.6	4.2	23.1

Source: (10).

Table 7--Number of families and median family income by family type

Family type	Families		Median income		Change in income	
	1965	1975	1965	1975	1965 to 1975	
	---Millions---		----------Dollars----------			Percent
Male head, wife present	41.8	46.8	7,330	10,516	3,186	43.5
Married, wife in labor force	14.7	21.1	8,633	17,237	8,604	99.7
Married, wife not in labor force	26.1	15.7	6,706	12,759	6,079	90.7
Other marital status	1.2	1.5	6,515	12,995	6,480	99.5
Female head	5.0	7.2	3,535	6,844	3,309	48.4

Source: (10).

IMPLICATIONS

Imports contribute to consumer choice. They also compete with domestic products and other budget items such as fuel and food. Consumers are often unaware of the real costs of textiles and apparel. Policies related to the promotion of trade, control of pollution, protection of the health and safety of workers, income, and the welfare of consumers and firms do affect the costs of textiles and apparel. These policies imply tradeoffs between quality of life and economic welfare of the U.S. textile industry and domestic consumers.

Continual monitoring of import penetration trends and market conditions is needed to keep trade and regulation policies clear and flexible. The hidden costs and benefits of policies need to be examined. Such policies can protect the domestic industry and encourage, or discourage, the efficient use of resources nationally and internationally to meet consumer demands. More attention to the factors affecting consumer demand for imported and domestic textile products can further clarify the impacts of policies on consumers, firms, and products.

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